

Service Date: July 28, 1978

PROPOSED ORDER NO. 4416b  
DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

IN THE MATTER of the Application ) DOCKET NO. 6545  
of THE MONTANA POWER COMPANY for )  
authority to increase rates for ) ORDER NO. 4416b  
Superior water service. )

APPEARANCES

FOR THE APPLICANT:

ROBERT P. GANNON, Attorney at Law, The Montana Power Company,  
40 East Broadway, Butte, Montana, on behalf of the Applicant.

FOR THE PROTESTANT:

GEOFFREY L. BRAZIER, Montana Consumer Counsel, 34 West Sixth  
Avenue, Helena, Montana.

FOR THE COMMISSION:

JAMES C. PAINE, Staff Counsel

BEFORE:

THOMAS J. SCHNEIDER, Commissioner and Hearing Examiner  
P. J. GILFEATHER, Commissioner

FINDINGS OF FACT

GENERAL

1. On November 23, 1977, the Commission received the application of The Montana Power Company (MPC or Applicant) for authority to increase the rates charged customers of its water utility in Superior, Montana. If approved as proposed, the higher rates would generate \$37,315 of additional revenue on an annual basis.

2. A Consolidated Motion~for Temporary Rate Increases in Dockets 6545 and 6546 was received by the Commission on March 28, 1978. In its Motion, the Company asked the Commission to grant temporary rate relief which would produce \$31,722 of increased yearly revenue. The Commission chose to defer its decision on a temporary increase until after the close of hearings.

3. Following legal notice, hearings were held in Docket No. 6546 May 1, 2 and 3 in Missoula and Superior. Testimony was heard on the need for a permanent rate increase and the Company renewed its request for interim relief.

4. Order No. 4416a in this Docket issued June 2, 1978 provided Montana Power interim rate relief by authorizing the Company to file rate schedules which would yield \$21,865 of additional annual revenue to the utility. The increase was effectuated by increasing each rate for water service by 110 percent above its then-current level.

5. The Montana Consumer Counsel (MCC) has participated in the proceedings of this Docket since their inception on behalf of consumers.

#### RATE OF RETURN

6. Montana Power's requested revenue increase corresponds with a 9.5 percent overall rate of return on its proposed rate base. According to the calculations of Dr. Wilson, witness for the Consumer Counsel, 9.5 percent constitutes a fair return on capital invested in the utility. Since the Applicant's request

and the Protestant's recommendation are identical, the Commission finds that 9.5 percent corresponds with a fair and reasonable rate of return for the Superior water utility.

#### RATE BASE

7. An average rate base provides the best matching of operating income and the assets responsible for that income. In addition, the Commission believes that the most recent historic data available should serve as the basis for determining rate base. Therefore, the Commission finds that a rate base which is the average for the year 1977 is proper in determining Applicant's revenue deficiency for its water utility.

8. In response to a data request from the Commission staff, Montana Power supplied what was subsequently labeled Exhibit 6, Superior Water Utility, Plant Average 1977-Using Beginning and Ending Year Plant. According to the Company's figures in this Exhibit, the total value of plant was \$214,861.

9. Applicant calculated its cash working capital requirement as one-eighth of annual operating and maintenance expenses. This formula is consistent with the Commission's orders in recent Montana Power rate cases.

10. Wilson computed cash working capital as an allocation of the difference between current assets and current liabilities for the consolidated company. The ratio of water revenues to total revenues times 2.40% was used to allocate working capital to Superior.

11. The Commission finds the method employed by Montana Power a reasonable means of determining the utility's-cash working capital requirement. As noted above, it approximates the formula used in recent Montana Power orders and also corresponds with the FPC methodology for computing cash working capital requirements. The amount of the working capital allowance so computed is dependent upon the level of operating and maintenance expenses determined in subsequent findings.

12. During hearings in Superior, Commission counsel questioned Bennie on the propriety of including the entire water utility's materials and supplies inventory in the rate base for Missoula when items from that inventory were used in both Missoula and Superior. In response to the staff's request for a late-filed exhibit on this subject, the Company calculated the value of material and supply withdrawals for Superior operations. The Commission finds that the proportion of inventory held to satisfy Superior's needs is so small that its exclusion from that utility's rate base is immaterial.

13. Not all the Company's assets were acquired with the use of investor-supplied funds; instead, some were financed through customer-contributed capital. During the course of hearings in Missoula, three sources of customer contributions were identified. These were accumulated deferred income taxes, accumulated deferred pre-1971 investment tax credits and customer advances for construction. Because these funds are not supplied by investors, an amount equal to their sum must be subtracted from rate base to limit Applicant's return to that required on the utility's capitalization.

14. The rate base reductions consistent with the preceding finding are calculated by averaging the year end 1976 and year end 1977 balances in each account mentioned and multiplying the result by 4.7%, the proportion of total water utility net plant serving Superior. Relying on this procedure, the following amounts of customer-contributed capital were obtained:

	(A)	(B)	(C) (A)+(B)	(D)
	<u>12/31/76</u>	<u>12/31/77</u>	<u>2</u>	<u>(C)x4.7%</u>
Accumulated Deferred Inc. Taxes	\$ 53,000	\$ 72,000	\$ 62,500	\$ 2,939
Accumulated Deferred Pre-1971				
Investment Tax Credits	22,343	21,631	21,987	1,033
Customer Advances for Constr.	614,258	467,628	540,943	25,424

15. Bennie presented a year end rate base for the Company which utilized the year end depreciation reserve in calculating depreciated asset values. When asked to compute the average year rate base for 1977, Montana Power employed the average of 1976 and 1977 depreciation reserves.

16. Wilson's testimony was based on an average rate base, one which used the 1977 year end depreciation reserve. In his rebuttal, Bennie argued the Wilson's computations resulted in a mismatch of plant and depreciation which understated original cost less depreciation. Responding through surrebuttal, Wilson defended his method alleging that no mismatch occurred since 1977 depreciation expense was a function of assets in service at that year's beginning; accumulated depreciation was not overstated, according to the witness, since none was booked for plant additions during the year.

17. The Commission finds that utilization of average depreciation

reserves provides the best matching of assets and their associated depreciation. To rely on Wilson's methodology would be treating year end depreciation as though it had been booked by mid year which is not the case: both Bennie and Wilson acknowledged that the 1977 depreciation reserve of \$68,013 did not appear on the books of the Company until December 31 of that year.

18. Consistent with the above Findings, the following original cost depreciated rate base is determined reasonable for Superior Water:

	12/31/76	12/31/77	Average
Original Cost of Plant			
Water Plant	\$265,936	\$267,406	\$266,671
Common Plant	11,231	10,463	10,847
Total Plant	277,167	277,869	277,518
Depreciation Reserve			
Water Plant	59,803	66,481	63,142
Common Plant	2,225	1,532	1,878
Total Plant	62,028	68,013	65,020
Depreciated Original Cost			
Water Plant			203,529
Common Plant			8,969
Total Plant			212,498
Less: Customer Contributed Capital			
Accumulated Deferred Income Taxes			2,939
Accumulated Investment Tax Credits (Pre-1971)			1,033
Customer Advances for Construction			25,424
Total Customer Contributed Capital			29,396
Plus: Working Capital			1,055
Total Water Utility Rate Base			\$184,157

19. With a rate base of \$184,157, the utility must earn \$17,495 to provide investors a fair return:

Rate Base (a)	\$184,157
Fair Rate of Return (b)	9.5%
Required Balance for Return	\$ 17,495
(A) Finding of Fact 18	
(B) Finding of Fact 6	

#### TEST YEAR

20. Through the testimony of its witness, Mr. Bennie, the Company proposed that a test year of projected 1977 operating results with adjustments for rate case presentation be used.

21. With the more recent data available to him, Wilson recommended that an actual 1977 test year be utilized in determining the Applicant's revenue deficiency.

22. The Commission finds that the appropriate test period is the latest historical year for which revenue and expense information is available. Accordingly, a test year ending December 31, 1977 will be employed in this Order.

#### REVENUES AND EXPENSES

23. In Exhibit 5 prepared in response to a data request from the Commission staff, Applicant calculated revenues adjusted for known and measurable changes of \$18-,877 during 1977. Actual revenues were adjusted downward by \$107 to reflect the higher-than-normal sprinkling revenues from metered customers assumed to result from the low level of precipitation between May and

October, 1977.

24. Wilson alleged that normalized revenues for 1977 should total \$19,640. This sum included an upward adjustment of \$251 reflecting below normal metered water sales during the year. Wilson also increased actual revenues by \$405 to account for growth in the number of unmetered customers.

25. Montana Power has demonstrated that actual sprinkling revenues in the test year were above those considered normal. (See Adj. S-REV-1 of Exhibit 5). The Commission adopts the revenue adjustment proposed by MPC.

26. To be consistent in its reliance on historic data rather than forecasts, the Commission rejects Wilson's proposal that revenues be adjusted for an increase in unmetered customers.

27.- Applicant's Exhibit 5 contained a number of expense adjustments which the Company felt were necessary in computing the revenue deficiency. Expenses were reduced by the elimination of costs for advertising and contributions not allowed for rate case purposes; this reduction totaled \$16.85. Because Montana statutes do not permit the recovery of such advertising and contribution expenses from rate payers, the Commission accepts the associated expense reduction.

28. Montana Power proposed that actual electric energy costs be reduced by \$327 to bring the expense to the level that would have been incurred in a year of normal precipitation requiring less pumped water than was needed during 1977. This adjustment is appropriate in light of the higher-than-average



power expenses actually recorded.

29. A normalization adjustment of \$310.54 was proposed by the Company in reflection of the electric rates prevailing at the end of 1977 which were higher than those paid the first eleven months of the year.

30. On July 1, 1977, employees of Montana Power were granted a general pay increase; had the increase been in effect the entire year, labor costs would have been higher by \$548. The Company alleged that actual expenses should be increased by this amount to normalize them.

31. Wilson contended that Applicant's proposed changes in power and labor expenses were improper since neither represented true normalization; instead, electric and wage rates could be anticipated to change regularly. In Wilson's words, "they appear to be simply recurring types of normal cost increases that are part of a business trend and normal business expectations." He Continues, "It would be inappropriate to reflect these cost increases forward without reflecting the productivity increases and the offsetting sales growth increases which would at least have the effect of mitigating the level of these cost increases." (Trans. Vol. II, pp. 333-4).

32. The Commission finds that the effects of the increased electric and wage rates are known and measurable changes for which adjustment should be made in determining test year expenses. Since Wilson did not document the improved productivity he alleges, no offsetting adjustment is possible.

33. Montana Power amortized rate-case expenses over a

three-year period; this treatment reduced 1977 expenses by \$654.91. The proposed amortization is consistent with the Commission's previous orders and is accepted in the instant case.

34. During 1977, additions were made to the utility's plant which would increase Applicant's property tax liability. According to MPC's calculations found in Exhibit 5, Adj. S-Exp.-6, the additional taxes total \$50. The Commission finds this adjustment reasonable since the associated assets have been included in rate base.

35. To compute the balance for return, Montana Power eliminated the negative income taxes which would not have been available to the water utility had it filed a separate return. Standing on its own, Superior Water would have had a zero income tax liability. This adjustment is proper here if the benefits of the negative tax liabilities are recognized in ascertaining the utility's revenue deficiency.

36. Making the adjustments determined appropriate in the preceding Findings, the balance for return is \$17,428 calculated as follows:

	1977 Actual	Adjustment	1977 Adj
GROSS REVENUES	\$ 18,984	\$ (107)	\$ 18,877
COST OF SERVICE			
Pumping and Purification	4,768	(17)	4,751
Transmission and Distribution	6,674	-0-	6,674
Customer Accounts Expense	1,766	-0-	1,766
Sales Expense	-0-	-0-	-0-
Administrative and General	5,836	(672)	5,164
Labor Adjustment	-0-	548	548
Sub-total	19,044	(141)	18,903

Depreciation	6,913	-0-	6,913
Amortization of ITC-Cr.	214	-0-	214
Provision for Lib. Depreciation	1,884	(1,884)	-(1,884)
Provision for Def. Income Taxes			
Corp. License Tax	946	(946)	
-0-			
Taxes Other Than Income Taxes	10,653	50	
10,703			
Income Taxes-Federal	(13,400)	13,400	
-0- Income Taxes-Corp. License Tax			
(Previous Year)	(1,298)	1,298	
-0- Income Taxes-Corp. License Tax			
(Current Year)	(1,970)	1,970	
-0-			
Sub-Total	3,514	13,888	

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-Total -	22,558	13,747
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BALANCE FOR RETURN	(3,574)	(13,854)
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## REVENUE DEFICIENCY

37. Computation of the revenue increase necessary to yield the fair return determined in Finding 19 requires adjustment for the negative income taxes available to Superior Water through the filing of a consolidated return. For this purpose, the Company utilized its estimate of negative liabilities for 1977 in its original filing and provided actual figures when they became known after year end.

38. Disagreeing with Montana Power's treatment, Wilson recommended that negative taxes attributable to the Water Department be summed for the past five years and amortized over three. Wilson contended that a three-year amortization-corresponded with the period used to amortize rate case expenses, the number of years the new rates are likely to remain in effect and the carry s forward period for losses in computing federal income taxes.

39. The propriety of using negative-income taxes to reduce

I the return requirements and benefit water utility customers was not questioned by witnesses for either the Company or the Consumer Counsel. Instead, disagreement centered on the method which should be used to

calculate the negative tax credit. The Commission believes that actual 1977 taxes with rate case and normalizing adjustments should be used. In response to a request made by Commission counsel, the Company supplied the following figures, consistent with the balance for return given in Finding 33:

U.S. Federal Income Tax

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Montana Corporation License Tax

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3  
)

Prov. for Deferred Income Taxes-Lib. Dep.

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8  
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40. With recognition of the tax liabilities in

the immediately  
preceding Finding, Superior Water experienced  
an adjusted balance for return of \$(2,141):

Test Year 1977 Balance for Return under Present  
Rates (17,428)

Adjustments for Income Taxes Not Reflected in  
Rate

Case Presentation: U.S. Federal Income Tax  
(14,927)

Montana Corporation License Tax  
(2,243)

Prov. for Deferred Income Taxes-Lib. Depr.  
1,884

Increase in Amortization of Investment Tax  
Credit

which will be Available under Proposed Rates  
(1)

Adjusted Balance for Return  
\$ (2,141)

41. The fair return determined in Finding 19 exceeds the adjusted balance for return by \$19,636. Consequently, the utility should be granted rate relief to provide a fair return on investment.

42. Because the utility must pay income taxes, the revenue deficiency exceeds the return shortfall. Montana Power derived the revenue deficiency by applying the statutory rates for federal income taxes, the Montana corporation license tax and the Montana Consumer Counsel Tax. Collectively, these taxes yielded a revenue requirement equal to 206.33 percent of the return deficiency.

43. Cross-examination of Woy revealed that Montana Power incurred an income tax expense of \$7,199,000 on pretax accounting income of \$31,577,000 for the year 1977. (Trans., Vol. I. pp. 147 and 149). Dividing the expense by pretax income, Wilson determined an

effective tax rate of 22.8 percent. This percentage was then used to compute the Company's revenue deficiency. Wilson argued that the effective tax rate was appropriate in his calculations since it represented the actual ratio of taxes to pretax income. Income taxes actually paid are less than those computed with the statutory rate because the utility has various deductions available to it, such as liberalized depreciation, which reduce its taxable income. Wilson alleged that utilization of the effective tax rate in computing the Company's revenue deficiency gave proper recognition to the Company's actual income tax liabilities.

44. In his surrebuttal testimony, Woy claimed that incremental revenue, such as that derived from a rate increase, would be taxed at the statutory rate rather than the effective tax level. (Trans. Vol. III, pp. 212-213). For this reason, he disagreed with Wilson's use of the effective tax rate in calculating the revenue deficiency.

45. The Commission agrees with MPC's contention that revenues derived from the rate increases authorized herein will be taxed at the statutory tax rates. While the effective tax rate is an average applicable to total pretax accounting income, Montana Power adequately demonstrated that incremental revenue will be taxed at the corresponding incremental rates which are those specified in the tax codes.

46. The Commission in rejecting the effective tax presentation of Dr. Wilson on this record does not foreclose the effective tax principle as it is traditionally applied to subsidiary company taxes. Furthermore, the flow through accounting approach, which

may be suggested by Dr. Wilson's presentation to give proper recognition to the Company's actual income tax liabilities, is a matter that is ripe for discussion in a comprehensive manner in future rate cases.

47. By relying upon the Applicant's methodology described in Finding of Fact No. 42, a revenue deficiency of \$40,515 is determined as follows:

Return Deficiency	\$ 19,636
Income-to-Revenue Multiplier	x 2.0633
Revenue Deficiency	\$ 40,515

(a) Finding of Fact 41

48. Although its testimony and exhibits demonstrate a revenue deficiency of \$40,515, Montana Power requested an increase of \$37,315 in its application for rate relief. Legal notice of the proposed rate changes stated that the Commission would hold hearings on the utility's request for \$37,315 of increased yearly revenue. As a consequence of the Company's application and published legal notice in this Docket, the Commission must limit the amount of rate relief granted to \$37,315.

49. The Commission finds that the rate changes proposed by Applicant corresponding to a 193 percent overall increase and increases for individual customer classes ranging from nine to 1352 percent are unreasonable and unbearable. Several public witnesses took sharp issue with the inordinately large rate increase proposed by MPC--which would replace rates which had been in effect for nearly fifty years. Mr. Burke (Tr. 121, Superior) recognized that the utility determines the timing of rate increase applications and that the magnitude of the proposed increase presents a serious problem for the consumer. Mr. Burke



gave MPC's rationale for deferring the application for several years as the need to complete a study of the water system and subsequently undertake a cost of service study. Mr. Leuschen (Tr. 103, Superior) opined that it would have been better to have applied for an increase a few years ago.

50. The Commission finds considerable merit to the testimony of the public witnesses who, in view of the magnitude of the proposed increase, requested a phased-in or gradual implementation of any rate increase. As surely as water runs downhill, consumers do not budget or plan for increased prices of such proportions (193% overall ranging to 1352% for sprinkling)--a critical consideration for a supply of water by a utility. The impact of so dramatic an increase is unreasonable and unwarranted in view of the above discussion.

51. In their applications to this Commission for rate increases, other utilities have requested phased implementation of rates to moderate the consumer impact which would have resulted from rates yielding the fair rate of return. For example, Montana-Dakota Utilities in Docket No. 6277 asked the Commission to approve a three-stage increase in electric rates to occur between July 1, 1975 and July 1, 1976. More recently, Pacific Power and Light requested a four percent rate of return on equity for Bigfork Water in Docket No. 6539 although it alleged that a higher rate constituted a fair return; the utility advised the Commission that subsequent applications would be based on the full fair rate of return.

52. The Commission finds similar treatment appropriate for Superior. Accordingly, the Commission approves a phased implementation of the revenue requirement determined in Finding 48. The \$21,865 increase granted on a temporary basis by

Commission Order No. 4416a shall remain in effect for 24 months following issuance of the final order in this Docket; the rate structure authorized in Order No. 4416a shall be modified in accordance with Finding 61 below. Following the effective period for the intermediate rates, tariff schedules yielding the full revenue increase of \$37,315 shall be filed by Montana Power and go into effect upon Commission approval; again, determination of the appropriate rate structure is discussed in a later Finding. Nothing in this action by the Commission prevents MPC from filing other rate applications while the intermediate rates are in force.

53. The consumer burden of a rate of return to a private utility operating a local, small water system is substantial. Similarly, the "headache" and effort involved in providing an isolated water service to a small community with a limited growth and earnings contribution suggests a possible sale of this system. The Commission understands that the City of Superior and Montana Power have had preliminary discussions to that effect. The Commission encourages the Company and the City in such efforts.

#### RATE DESIGN

##### Cost of Service and Rate Design-Testimony

54. Applicant's requested rate structure was based on a cost of service study performed by Henningson, Durham and Richardson (HDP), a firm of consulting engineers. Relying on the base-extra capacity method to allocate costs among customer classes, the HDR study prescribed rates which were subsequently adopted by Montana Power in its application for increased water service rates.

55. Mr. Hofstedt stated under examination by staff counsel that the methodology for the Superior study was identical to that performed for Missoula. The Commission refers to the rate design and cost of service findings in the, Missoula Order No. 4417b for a comprehensive discussion of this issue.

56. The Montana Consumer Counsel sponsored no cost of service or rate design testimony. However, several public witnesses expressed serious opposition to both the overall level of the proposed rate increase and to the disproportionately large increase assigned to the sprinkling customers. The majority of the public witnesses stressed the severe burden which the proposed sprinkling increase would place upon low and fixed income consumers. Most witnesses suggested they would be forced to terminate sprinkling services if the 1352 percent increase were approved.

57. Public testimony and questioning also identified certain freezing and low water pressure problems in the system. The 923 percent increase proposed by MPC for hydrant services was challenged.

#### Commission Analysis and Findings-Cost of Service and Rate Design

58. The Commission's analysis of the cost of service and rate design-methodology of HDR for the Missoula system-is in most cases applicable to the Superior water system. The fundamental weaknesses of the cost studies and proposed rate designs are 5 contained in: (1) the scant water use and class demand data of a system in which 95% of the customers are unmetered; and (2) the

rigid approach to rate design based on largely estimated cost allocations. The Missoula Order No. 4417b contains a detailed discussion of these concerns.

59. Where moderation was deemed appropriate in the rate 5, design approach to the Missoula system, it is essential in the Superior system. The Commission in its prior findings established a phased implementation of the revenue increase. The Commission finds that the revenue increase of \$21,865 should be spread to all classes as provided below recognizing that the overall percentage increase over test year revenues under the "existing" rates (\$18,877) is 116 percent.

60. The Commission finds the proposed increases for metered customers, unmetered residential-domestic, and unmetered-other government are moderate in comparison to the overall increase of 116 percent; these increases are approved in their entirety:

	Proposed and Approved Increase	Percent Increase
Metered-General Service	\$ 324	9.2%
Unmetered-Domestic	5,560	50.6%
Unmetered-Other Govern.	105	12.0%
TOTAL	\$5,989	

61. The remainder of the temporary revenue increase approved in Finding 52 (\$21,865-\$5,989) or \$15,876 should be generated by increasing present rates a uniform percentage of the proposed revenue increase for each class and rate within each class. Structuring rates in this fashion preserves the relative cost of service determinations of HDR for these classes.

Proposed

	Revenue Increase	Approved Increase
Residential Sprinkling	\$21,253	\$10,775
Commerc.-Ind.	2,096	1,063
Hydrant	<u>7,977</u>	<u>4,044</u>
	\$31,326	\$15,882

Uniform % of proposed : \$15,876 = 50.77%

62. The second phase rate tariffs to be effective after 24 months should yield the remaining revenue (\$37,315-\$21,865) through application of a uniform percentage increase above the rates in effect at that time. The Commission finds that this approach gives adequate recognition to the cost of service results while at the same time moderating the disproportionate impacts on individual classes.

#### SERVICE REGULATIONS

63. Through his testimony, Mr. Leuschen, manager of the Missoula Division of the Montana Power Company, recommended nineteen amendments to the utility's water service regulations. The changes were largely intended to clarify present rules to eliminate outdated rules and to encourage-the conservation of water.

64. The Commission finds each of the proposed amendments warranted in defining the conditions under which service is rendered to customers

#### CONCLUSIONS OF LAW

1. The Montana Power Company is a public utility supplying water service to customers in the State of Montana. This Commission has jurisdiction over the rates and charges for and the conditions

under which utility service is rendered in Montana.

2. The rate base determined in Finding of Fact No. 18 reflects the original cost depreciated of Applicant's water utility plant allocated to Superior operations. These values comply with the requirement of R.C.M. 1947, Sec. 70-106, that the value placed upon a utility's property for rate making purposes "shall not exceed the original cost of the property."

3. Use of an average rate base is the appropriate means of measuring the value of Applicant's properties at risk during the test period. In addition, average rate base values permit a better matching of test year revenues and expenses to the properties which produced them than do year end values.

4. The rate of return allowed in this Order meets the constitutional requirement that a public utility's return must be "commensurate with the returns on investments in other enterprises having corresponding risks and sufficient to insure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital." Federal Power Commission v. Hope Natural Gas Company, 320 U.S. 591, 603 (1944). It likewise complies with the dictates of R.C.M. 1947, Sec. 70-105; which provides that a public utility has the right to receive-a fair return on the value of its property used in service.

5. A test year based on recent historical operating results adjusted for known and measurable changes is a reasonable means of determining the utility's revenue deficiency.

6. The rate spread and rate design authorized herein are justified.
7. The rates and charges authorized herein are just and reasonable.
8. The rate structures authorized herein are nondiscriminatory.

#### ORDER

THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The Montana Power Company shall file rate schedules designed to produce a revenue increase of \$21,865 from its Superior Water customers which includes revenues already granted as temporary increases under Order No. 4416a. Tariff schedules filed pursuant to this Order shall be effective upon their approval by the Commission.
2. The increased revenues authorized herein shall be distributed among tariffed as described in Findings of Fact 60 and
3. Twenty-four months after issuance of the final Order in this Docket, Montana Power shall file new tariff schedules which increase revenues by \$37,315 over those prior to Order No. 4416. The structure of these rates shall be as determined in Finding of Fact No. 62.
4. Those changes in rules and regulations for water service proposed by Applicant are hereby approved.

5. All motions and objections not rules upon at the hearing are denied.

IT IS FURTHER ORDERED, pursuant to ARM 1-1.6(2)-P6190, that this is a proposed order. Any party shall have the opportunity to file exceptions to this initial decision, present briefs and make oral arguments before the entire Commission, provided such exceptions are presented to the Commission within twenty (20) days from the service date of this proposed order and briefs opposing exceptions filed ten (10) days thereafter.

DONE At Helena, Montana this 28th day of July, 1978.

THOMAS J. SCHNEIDER, Commissioner  
& Hearing Examiner

ATTEST:  
Madeline L. Cottrill  
Secretary  
(SEAL)